

Message Text

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ACTION EB-07

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 4814

C O N F I D E N T I A L BUENOS AIRES 1653

E.O. 11652: GDS

TAGS: EINV, PFOR, AR

SUBJECT: MEETING WITH FONMIN QUIJANO ON U.S. INVESTMENT PROBLEMS

REF: (A) STATE 58446, (B) STATE 58028

1. ACCOMPANIED BY ECOM COUNSELOR, I MET WITH QUIJANO MORNING MARCH 11 AND EXPRESSED TO HIM OUR DEEP CONCERN OVER LACK OF DEFINITE PROGRESS ON CHASE BANK AND ITT/CSEA, AND TOUCHED ON OTHER CASES PENDING RESOLUTION. I ALSO TOOK OCCASION TO MENTION CONTINUED GOA DELAY IN APPROVING BRANIFF NINTH FREQUENCY BETWEEN U.S. AND ARGENTINA. ALONG LINES INDICATED REFTELS, I REFERRED TO HIS MEETING WITH THE SECRETARY IN JANUARY. REVIEWED ACTION WHICH BEING TAKEN BY WASHINGTON AGENCIES IN ACCORD WITH TRADE ACT AND EMPHASIZED URGENCY FOR PROMPT STEPS BY GOA AND MINISTER MONDELLI IN PARTICULAR IF DETERMINATION THAT ARGENTINA INELIGIBLE FOR GSP TO BE AVOIDED. THERE COULD BE POLITICAL CONSEQUENCES OF SUCH A DETERMINATION AND PUBLIC REACTION HERE, I POINTED OUT, ESPECIALLY AT THIS TROUBLESOME TIME FOR MRS. PERON'S GOVERNMENT WHICH COULD HAVE HIGHLY ADVERSE EFFECT ON OUR BILATERAL RELATIONS, WHICH HE AND I SHOULD SEEK TO PREVENT. I REMINDED HIM IN THIS CONNECTION THAT NOT ONLY QUESTION OF GSP ELIGIBILITY WAS INVOLVED, BUT ALSO ELIGIBILITY FOR BILATERAL AID UNDER FOREIGN ASSISTANCE ACT AND U.S. POSITION IN INTERNATIONAL FINANCIAL INSTITUTIONS SUCH AS IADB. I HAD COME TO SEE HIM, I EXPLAINED, RATHER THAN MINISTER MONDELLI, BECAUSE MONDELLI WAS

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UP TO HIS EARS WITH ARGENTINE DOMESTIC PROBLEMS AND I BELIEVED

SINCE FONMIN HAD DISCUSSED PROBLEM WITH THE SECRETARY, HE
COULD BETTER PAVE WAY FOR MEETING WITH MONDELLI.

2. QUIJANO HAD HIS DAILY BRIEFING BOOK WITH HIM, AND ON TOP
WAS REPORT FROM WASHINGTON EMBASSY AND ZALDEUENDO ABOUT MEETING
IN DEPARTMENT. WHILE FONMIN DID NOT HAVE FULL DETAILS OF
STATUS OF CHASE, ETC. PROBLEMS, HE UNDERSTOOD POTENTIAL FOR
TROUBLE AND URGENCY OF SITUATION. AFTER INQUIRING ABOUT A FEW
SPECIFICS OF CASES, HE NOTED THAT TRADE ACT HAD ALREADY HAD MOST
UNFORTUNATE REPERCUSSIONS IN LATIN AMERICA DUE EXCLUSION FROM
GSP OF OPEC MEMBERS VENEZUELA AND ECUADOR. WOULD BE A PITY IF
FURORE SHOULD ARISE AGAIN OVER DETERMINATION TO EXCLUDE SINGLE
COUNTRY - ARGENTINA - DUE INVESTMENT PROBLEMS. AS I WAS AWARE,
QUIJANO SAID, BOTH CAFIERO AND MONDELLI HAD PERSONALLY ASSURED
ME THAT AS MATTER OF POLICY ARGENTINA WISHED TO SETTLE INVESTMENT
ISSUES, BUT THAT RECENT MONTHS HAD BEEN EXTREMELY DIFFICULT ONES
FOR GOA IN WHICH TO PROCEED WITH NEGOTIATIONS.

3. TURNING AWAY FOR A MOMENT FROM INVESTMENT PROBLEMS, QUIJANO
EXPRESSED HIS DISAPPOINTMENT (AS HE HAD EARLIER THIS YEAR TO THE
SECRETARY) AT THE BREAKDOWN OF THE U.S./LA DIALOGUE. A WHOLE
YEAR OF PROGRESS HAD BEEN LOST, HE FELT, IN INTER-AMERICAN
AFFAIRS AS A CONSEQUENCE OF EVENTS AT THE END OF 1974 AND BEGINN-
ING OF 1975. THE U.S. NOW SEEMS TO HAVE TURNED TO BILATERALISM
IN ITS DEALING WITH LA. WHILE THIS WAS ONE WAY IN WHICH TO
CONDUCT INTER-AMERICAN POLICY, THE MINISTER THOUGHT THAT
MULTILATERAL POLICIES WOULD BE MUCH MORE FRUITFUL IN US/LA
RELATIONS AND HE PLANNED TO DO WHAT HE COULD TO PROMOTE A RETURN
TO MULTILATERALISM.

4. QUIJANO DID NOT BLAME THE U.S., IN VIEW OF RECENT EXPERIENCES,
FROM TURNING TO BILATERALISM, AND HE WAS UNDERSTANDING OF THE
RECENT ARRANGEMENT CONCLUDED WITH BRAZIL. I ASKED HIM WHETHER
HE THOUGHT THERE HAD BEEN MUCH ADVERSE REACTION TO THE US-BRAZIL
AGREEMENT, NOTING THAT PRESS AND PUBLIC REACTION, IN THE
EMBASSY'S OBSERVATION, HAD BEEN VERY RESTRAINED. QUIJANO DID
NOT ANSWER THE QUESTION DIRECTLY, BUT SAID THAT HE HAD TAKEN
STEPS WITHIN THE GOA TO ENSURE THAT THERE WOULD BE NO OFFICIAL
STATEMENTS OR REACTIONS WHICH WOULD FURTHER COMPLICATE A
DIFFICULT SITUATION. HE HAD, HOWEVER, DECIDED TO WRITE A
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LETTER TO THE SECRETARY WITH HIS VIEWS ON THE US-BRAZIL AGREEMENT.
HE WISHED TO DISCUSS THIS LETTER WITH ME BEFORE MY DEPARTURE
FOR THE U.S. ON MARCH 17. (I HAD TOLD HIM OF MY PLANNED TRIP.)

5. RETURNING TO THE CHASE BANK PROBLEM, QUIJANO SAID IT WAS
HIS IMPRESSION FROM TALKING WITH MONDELLI, THAT THIS WAS ON
THE VERGE OF BEING RESOLVED AND THE REQUIRED DECREE OR DECREES
ISSUED. THE PRESIDENT'S TECHNICAL SECRETARY JULIO GONZALEZ

HAD INTERPOSED SOME OBSTACLES BUT THAT THESE HAD APPARENTLY BEEN OVERCOME. I SAID WE HAD BEEN EQUALLY HOPEFUL ON A SOLUTION FOR CHASE, BUT IT NOW APPEARED (REFTEL A) THAT THERE REMAINED SOME DISAGREEMENT BETWEEN CHASE AND THE CENTRAL BANK ON TERMS. QUIJANO WAS NOT AWARE OF THIS, AND COMMENTED THAT IT WOULD JUST HAVE TO BE LOOKED INTO FURTHER. I STRESSED THAT IT WAS NOT SO MUCH A QUESTION AS TO WHICH CASE, OR CASES SHOULD BE SOLVED, BUT THAT SOME REAL PROGRESS SHOULD BE MADE AND THAT MONDELLI AND HIS STAFF SHOULD LOOK AT ALL THE PROBLEMS, SUCH AS EXXON, WITH THIS IN MIND.

6. WITH RESPECT TO ITT/CSEA, QUIJANO SAID HE WAS A CLOSE FRIEND OF THE HEAD OF ENTEL, COLONEL GANDOLFO. HE KNEW FROM RECENT CONVERSATIONS WITH GANDOLFO, FOLLOWING THE COURT DECISION THAT CSEA AND SIEMENS HAD NOT BEEN GUILTY OF CONTRABAND AND OVER-PRICING, THAT GANDOLFO FELT MUCH FREER TO TAKE ACTION RESPECTING CSEA AND THAT TO SET UP NEW ORDERS FOR CSEA WOULD NOW BE MUCH EASIER. (COMMENT: EMBASSY HOPES COURT DECISION WILL SIMILARLY AFFECT SECRETARY OF COMMUNICATIONS GENERAL DELLA CROCE, WHO HAS BEEN DRAGGING FEET ON CSEA FOR MONTHS.)

7. IN CLOSING, QUIJANO AGREED TO PHONE MONDELLI AT ONCE, DISCUSS PROBLEM WITH HIM AND ARRANGE A MEETING WITH ME AS SOON AS POSSIBLE. ON AFTERNOON OF SAME DAY WE RECEIVED MESSAGE FROM MONDELLI. HE WISHED TO DISCUSS ISSUES FIRST WITH CENTRAL BANK PRESIDENT ZALDUENDO, WHO RETURNING FROM U.S. THIS WEEKEND, AND WILL SEE ME ON MONDAY, MARCH 15. QUIJANO CALLED IN THE EVENING TO CONFIRM THAT HE HAD SPOKEN TO MONDELLI.

8. I DO NOT BELIEVE I CAN DO ANYTHING FURTHER AT THE MOMENT TO IMPRESS ON GOA IMPORTANCE OF TAKING ACTION. CONSIDERING THE FIRE FROM ALL QUARTERS WHICH MONDELLI IS NOW TAKING AS RESULT HIS ECONOMIC PROPOSALS, RAISING QUESTION AS TO WHETHER AND HOW
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LONG HE CAN REMAIN IN OFFICE, BELIEVE THIS IS BEST WE CAN EXPECT FROM GOA.
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